MEDI-CAL UPDATE Part 2
Billing and Policy
www.medi-cal.ca.gov

Outpatient Services • Adult Day Health Care Centers

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Contents

Federal Deficit Reduction Act of 2005 Requirements Implemented

Effective January 1, 2007, all new provider applicants and all providers subject to re-enrollment processing will be required to certify that they comply with Section 1902(a) of the Social Security Act.

On February 8, 2005, President Bush signed into law the Deficit Reduction Act (DRA), which requires specified changes to Medicaid (Medi-Cal in California) law. One of those changes is the requirement for employee education about false claims recovery. These changes go into effect on January 1, 2007.

This article contains information about both the state and federal law regarding this new requirement. This article also serves as the official notice of new federal requirements for Medi-Cal providers in California.

Federal Law

Section 6032 of the DRA requires any entities that receive or make annual payments under the State Plan (Medi-Cal in California) of at least $5 million, as a condition of receiving such payments, to have established written policies and procedures about the Federal and State False Claims Act for their employees, agents and contractors.

Specifically, Section 6032 amends the Social Security Act, Title 42, United States Code, Section 1396a(a), by inserting an additional relevant paragraph, (68). To summarize, this new paragraph mandates that any entity that receives or makes payments under the State Plan of at least $5 million annually, as a condition of receiving such payments, must comply with the following requirements:

1. Establish written policies for all employees of the entity, including management and any contractor(s) or agent(s) of the entity. These written policies shall provide detailed information about the following:
   - Federal False Claims Act, including administrative remedies for false claims and statements established under Title 31, USC, Chapter 38.
   - State laws pertaining to civil or criminal penalties for false claims and statements; whistleblower protections under such laws; and the role of these laws in preventing and detecting fraud, waste and abuse in Federal health care programs.
2. The written policies must include details about the entity's policies and procedures for detecting and preventing fraud, waste and abuse.
3. Any employee handbook for the entity must include specific discussion of the laws about false claims and statements; the rights of employees to be protected as whistleblowers; and the entity's policies and procedures for detecting and preventing fraud, waste and abuse.

ADHC Updates

Effective retroactively to May 1, 2006, new guidelines have been implemented for Adult Day Health Care (ADHC) providers to clarify number of days and carry-over days.

Number of Days
The Medi-Cal field office authorizes ADHC services on the basis of a specific number of days per calendar month. The ADHC medical provider should specify the months and number of requested days for each calendar month on separate lines of the *Treatment Authorization Request* (TAR). For example, for a six-month request, there should be six lines filled in on the TAR.

- The TAR will authorize the total number of days per month for up to six months.
- The ADHC provider should continue to note the number of planned days per week on the TAR.

Note: Attendance should be planned and regular (*California Code of Regulation*s [CCR], Title 22, Section 54223). Irregular attendance must be documented and explained in the participant's record.

The ADHC provider may schedule attendance of the participant authorized for ADHC services on any day(s) during the month as long as the total number of days attended by the participant during the month does not exceed the number of units authorized on the TAR for that calendar month, except for carry-over days.

Claims for ADHC services will not be reimbursed for days in excess of the number of days per calendar month authorized on the TAR, except for carry-over days. Claims for any day(s) not authorized on the TAR for that calendar month will be denied, except for carry-over days.

Carry-Over Days
Carry-over days must be billed on the final claim of the month in which the carry-over day(s) was used. For a billing example, see the *Adult Day Health Care (ADHC) Centers Billing Examples* section in the Part 2 manual.

This information is reflected on manual replacement pages adu tar ipc 5 thru 8 (Part 2).

Senate Bill 1755: Impact to Medi-Cal Adult Day Health Care Providers

On January 1, 2007, Senate Bill (SB) 1755[1] will take effect and will change the way Adult Day Health Care (ADHC) services are provided and reimbursed under the Medi-Cal program. SB 1755 amends the Adult Day Health Medi-Cal Law (*Welfare and Institutions Code*, 14520 et seq.) by adding new statutes and amending others.

The California Department of Health Services (CDHS) encourages all ADHC providers to become familiar with these new provisions. This bill can be found online at **www.leginfo.ca.gov**. CDHS also encourages all ADHC providers to keep abreast of the latest ADHC information provided online at **www.medi-cal.ca.gov**.

If providers have questions, they should consult the two Web sites listed above. The following discussion provides some information regarding SB 1755; as additional information becomes available, providers will be notified.

Impact of SB 1755 on the Treatment Authorization Request (TAR) Process
SB 1755 establishes new medical necessity criteria that will be used to adjudicate ADHC TARs. These new criteria will ensure that only those Medi-Cal recipients that medically require ADHC services to remain independent in the community will be authorized for ADHC services.

The current four criteria established in *California Code of Regulations*, Title 22, Section 54209 have been replaced with the criteria set forth in Section 5 of SB 1755.

CDHS expects to fully implement these new criteria between January 1, 2008 and June 30, 2008. At this point CDHS anticipates implementing these criteria on a rolling basis as initial and reauthorization *Treatment Authorization Requests* (TARs) are received.

Please see **Senate Bill 1755**, *page 3*

Senate Bill 1755 *(continued)*

No action on the part of the ADHC provider is required until a provider bulletin is released that specifies instructions about implementation of the new medical necessity criteria. Extensive training will be provided. Providers are encouraged to watch for future announcements.

Impact of SB 1755 on Reimbursement of ADHC Services
SB 1755 provides for the unbundling of the current Z8500 procedure code into its component services. The ADHC's administrative expenses, unskilled services and skilled nursing services will be placed into a smaller bundled procedure code. The smaller bundled procedure code will require a TAR. All other ADHC services (such as therapy) will be assigned individual procedure codes, most of which will not require a TAR.

All ADHC centers will be required to complete a new cost reporting form and process by which CDHS will set the centers' rates. The exact methodology of this rate setting will be set forth in upcoming training sessions and in future provider bulletins.

The unbundling and new rate process are expected to become operational on or after August 1, 2010.

No action on the part of the ADHC provider is required until a provider bulletin is released that specifies instructions about implementation of the unbundling and new rate methodology. Extensive training will be provided. Providers are encouraged to watch for future announcements.

[1]Identified as Statutes of 2006, Chapter 691

2007 CPT-4/HCPCS Code Update Reminder

The 2007 updates to *Current Procedural Terminology – 4th Edition* (CPT-4) codes and *Healthcare Common Procedure Coding System* (HCPCS) Level II codes become effective for Medicare on January 1, 2007. The Medi-Cal program has not yet adopted the 2007 updates. Providers must not use the 2007 codes to bill for Medi-Cal services until notified to do so in a future *Medi-Cal Update*.

Instructions for Manual Replacement Pages — Part 2

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Remove and replace: adu tar ipc 5 thru 8